

Message Text

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PAGE 01 KUALA 03465 190835Z

12

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 7535

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

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EO 11652: N/A

TAGS: ENRG, MY

SUBJ: GOM WILL NEGOTIATE NEW PRODUCTION SHARING
ARRANGEMENT WITH OIL EXPLORATION COMPANIES.

REF: KUALA LUMPUR 3449

1. BEGIN UNCLASSIFIED. SUMMARY: UNDER NEW PETROLEUM
DEVELOPMENT ACT (ARTICLE 6), GOM WILL SOON START
NEGOTIATIONS WITH OIL COMPANIES ON NEW 85:15 PRODUCTION
SHARING FORMULA IN FAVOR OF GOVERNMENT. WILL REPLACE
65:35 FORMULA SIGNED DURING PAST ONE AND ONE-HALF YEARS
BY ALL OIL EXPLORATION COMPANIES OPERATING MALAYSIA. END
SUMMARY.

2. MINISTER OF PRIMARY INDUSTRIES DATUK HAJI ABDUL
TAIB MAHMUD SAYS GOM WILL START NEGOTIATIONS WITH OIL
EXPLORATION COMPANIES ON NEW PRODUCTION-SHARING FORMULA
OF 85:15 RATIO IN FAVOR GOM. STATES THIS FORMULA
REALISTIC BECAUSE OF CURRENT HIGH PRICE OF OIL --
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PAGE 02 KUALA 03465 190835Z

US DOLS 12.60 BBL. WHEN PRESENT 65:35 FORMULA AGREED

ON, AVERAGE OIL PRICE WAS ABOUT US DOLS 3 BBL.

3. PRODUCTION SHARING PROVIDES THAT OUT OF EVERY ONE HUNDRED BBLs. CRUDE PRODUCED, OIL COMPANY ALLOWED DEDUCT UP TO MAXIMUM FORTY BBLs. TOWARD RECOVERY EXPLORATION AND PRODUCTION COSTS. REMAINING SIXTY BBLs. OF PROFIT OIL SUBJECT TO 85:15 FORMULA.

4. TAIB ALSO SAYS SETTING UP OF PETRONAS UNDER PETROLEUM DEVELOPMENT BILL IS PREFERABLE TO ORIGINAL CONCEPT OF HYDROCARBON MALAYSIA (HIKMA) BECAUSE HIKMA WOULD HAVE BEEN FEDERAL BODY AND HAVE GIVEN IMPRESSION GOM NATIONALIZING OIL INDUSTRY WHEREAS PETRONAS WILL BE INCORPORATED UNDER COMPANIES ACT AND OPERATE ON COMMERCIAL BASIS. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. COMMENT: U.S. OIL EXPLORATION COMPANY EXECUTIVE IN MALALIA SAYS ONLY SURPRISE IN PETROLEUM DEVELOPMENT BILL IS ABSOLUTE CONTROL OF PRIME MINISTER OVER PETRONAS. ORIGINALLY UNDERSTOOD NATIONAL PETROLEUM COMPANY WOULD BE SEMI-AUTONOMOUS GOVERNMENT ORGANIZATION OR UNDER CONTROL OF MINISTRY OF PRIMARY INDUSTRIES. OIL EXPLORATION COMPANIES ALSO PREVIOUSLY ADVISED BY GOM THAT PRODUCTION SHARING ARRANGEMENT WOULD BE RENEGOTIATED.

6. EMBASSY FINDS PROVISIONS OF ACT BRINGING CONTROL OF DOWNSTREAM PRODUCTION OF PETROLEUM PRODUCTS UNDER JURISDICTION OF PETRONAS BROADER IN SCOPE THAN OUR ORIGINAL CONCEPT OF PETROLEUM DEVELOPMENT ACT. END LIMITED OFFICIAL USE.
UNDERHILL

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